

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company)
d/b/a Nicor Gas Company)
) Docket No. 08-0363
Proposed general increase in rates, and)
revisions to other terms and conditions)
of service)

CORRECTED
Surrebuttal Testimony of

REBECCA C. BACIDORE

Assistant Vice President – Human Resources
Nicor Gas Company

November 5, 2008

OFFICIAL FILE
FOR DOCKET NO. 08-0363
NICOR Exhibit No. 41.0-41.1
Witness: Rebecca Bacidore Corr.
Date 11/17/08 Reporter KA

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Rebecca C. Bacidore, Nicor Gas Company ("Nicor Gas" or the "Company"), 1844 Ferry
4 Road, Naperville, Illinois 60563.

5 **Q. Are you the same Rebecca C. Bacidore who submitted direct testimony and rebuttal**
6 **testimony on behalf of Nicor Gas in this Docket?**

7 A. Yes.

8 **II. PURPOSE OF SURREBUTTAL TESTIMONY**

9 **Q. What is the purpose of your Surrebuttal Testimony?**

10 A. The purpose of my testimony is to respond to certain issues raised in the rebuttal
11 testimony of Illinois Commerce Commission (the "Commission" or "ICC") Staff
12 witnesses Dianna Hathhorn (Staff Ex. 15.0) and Burma Jones (Staff Ex. 16.0) related to
13 Nicor Gas' Incentive Compensation plans and charitable contributions.

14 **III. SUMMARY OF CONCLUSIONS**

15 **Q. Please summarize your conclusions.**

16 A. I conclude the following:

- 17 • Contrary to the recommendation of Staff witness Hathhorn, recovery for Nicor
18 Gas' Incentive Compensation Unit ("ICU") Plan costs of \$325,100 should be
19 allowed. The Commission historically has allowed the Company to recover the
20 costs of the ICU Plan, including the last two rate cases;
- 21 • The Company accepts Staff witness Hathhorn's recommendation that recovery for
22 incentive compensation expenses of \$110,000 related to the at-fault hit ratio per
23 1,000 locates should be allowed at 50% (\$55,000) (Hathhorn Reb., Staff Ex. 15.0,
24 11:244-12:253); and

- 25 • Contrary to the recommendation of Staff witness Jones, recovery for Nicor Gas'
26 charitable donations of \$100,000 to the Aurora Foundation should be allowed.

27 **IV. STAFF'S PROPOSED ADJUSTMENTS TO THE COMPANY'S ICU PLAN.**

28 **Q. In her rebuttal testimony, Staff witness Hathhorn restates her proposal that**
29 **recovery of \$325,100 in costs for Nicor Gas' ICU Plan should be disallowed.**
30 **Specifically, she states that payout under the ICU Plan is tied 100% to Company**
31 **financial goals. (Hathhorn Reb., Staff Ex. 15.0, 10:213-11:242). Is this an accurate**
32 **description of how the ICU Plan works?**

33 **A.** No. The ICU Plan was in effect from 1968 to 1980 and was designed to reward
34 outstanding achievements that contributed to the success of the Company in meeting its
35 purposes and principles. In procedures used to recommend the grant of awards under the
36 ICU Plan, employee achievements eligible for recognition may have an impact in any area
37 or function in the Company, and "may be in the form of ideas, inventions, or technological
38 improvements; increased sales, production, profits or efficiency; reduced operating
39 expenses; improved employee attitude; improved community or customer relations."
40 Procedures for Administering ICU Plan, p. 2. (Attached hereto as Nicor Gas Ex. 41.1).

41 An employee's eligibility for the ICU Plan was not based on Company financial
42 goals. Moreover, the Company's decision to make an award under the ICU Plan was not
43 based on whether the qualifying achievements under the ICU Plan resulted in
44 achievement of Company financial goals. Thus, the qualifying achievements do not
45 necessarily result in shareholder benefits.

46 The Commission has previously objected to recovery of expenses for incentive
47 compensation plans based on financial goals because the primary beneficiaries were the

company shareholders. This concern should not apply to this case because the Company's shareholders are *not necessarily* the beneficiaries of the ICU Plan.

Q. Since benefits from the ICU Plan are paid only to former employees who no longer provide service to current ratepayers, should the Company be barred from recovering its Plan costs?

A. No. As I stated in my rebuttal testimony, the ICU Plan fulfills a legitimate purpose, and has been approved in previous rate cases before the Commission. Although the ICU Plan has been discontinued, the Company must continue to meet its financial obligations related to the plan requirements. These obligations are no different than the Company's obligation to provide post-retirement benefits such as medical and pension to its retirees. In creating and administering the ICU Plan, the Company followed Commission policy in effect at that time. Moreover, the Company followed Commission policy at the time the current financial obligations from the ICU Plan were created, and the Commission has never previously objected to recovery of the expenses for honoring these financial obligations.

V. STAFF'S PROPOSED ADJUSTMENT FOR EXPENSES RELATED TO THE AT-FAULT HIT RATIO PER 1,000 LOCATES.

Q. In her rebuttal testimony, Staff witness Hathhorn revised her original proposal to disallow recovery for incentive compensation related to the at fault hit ratio per 1,000 locates to permit recovery of 50% of the Incentive Compensation expenses (Hathhorn Reb., Staff Ex. 15.0, 11:244-12:253). What is your opinion of Hathhorn's proposed adjustment?

70 A. In an effort to narrow the issues of this case, the Company accepts Staff witness
71 Hathhorn's proposed adjustment as stated in her rebuttal testimony. See Nicor Gas
72 Exhibit 45.3, attached to the Surrebuttal Testimony of Company witness James Gorenz.

73 **VI. STAFF'S PROPOSED ADJUSTMENT FOR THE COMPANY'S CHARITABLE**
74 **DONATIONS TO THE AURORA FOUNDATION**

75 **Q. In her rebuttal testimony, Staff witness Burma Jones restates her opposition to**
76 **recovery for Nicor Gas' charitable contributions of \$100,000 to the Aurora**
77 **Foundation ("Foundation"). (Jones Reb., Staff Ex. 16.0, 5:83-6:105). Specifically,**
78 **Staff witness Jones cites the Company's Response to Staff Data Request BCJ 2.02**
79 **regarding the contribution to the Aurora Foundation, which states, "[t]his**
80 **contribution is a component of the Company's overall efforts to attract and retain a**
81 **qualified work force." Do you agree that this statement shows that the scholarships**
82 **are not charitable, but rather a potential benefit to Company employees?**

83 A. No. The fact that the merit scholarship plan is part of the Company's effort to attract and
84 retain a qualified workforce does not conflict with the charitable purpose served by
85 awarding the scholarships. The scholarships aid in the advancement of learning by
86 encouraging potential recipients to achieve the academic standing necessary to qualify for
87 the scholarships. The charitable purpose provided by the scholarships—aid to the
88 advancement of learning—does not disappear simply because the Company hopes that
89 the scholarships may help attract and retain a qualified work force.

90 **Q. Staff witness Jones also asserts that the Company's Contribution Guidelines**
91 **specifically state that grants will not be made to foundations. Are the donations to**
92 **the Aurora Foundation consistent with the Contribution Guidelines?**

93 A. Yes. Staff witness Jones acknowledges that the Aurora Foundation is simply the
94 administrator for the Nicor Gas Scholarship Fund. The beneficiaries of the Company's
95 donations to the Aurora Foundation are the scholarship recipients.

96 **VII. CONCLUSION**

97 **Q. Does this complete your Surrebuttal Testimony?**

98 A. Yes.

INTRODUCTION

The Incentive Compensation Plan of Northern Illinois Gas Company is a method to reward deserving management employees who make outstanding contributions to the continuing success of the Company.

The principal objective of the Plan is to enhance the ability of the Company to RECRUIT, ROUSE, REWARD and RETAIN management employees at all levels.

In the area of RECRUITMENT, the Plan provides evidence that NI-Gas is a modern, sophisticated and competitive company. As a vehicle to ROUSE employees, the Plan grants visible incentives for truly significant achievements. As to a REWARD, the Plan affords tangible recognition for outstanding contributions toward the growth and success of the Company. As an aid in RETENTION, the Plan gives continuing compensation to awardees up to and during retirement.

Extraordinary achievements that enhance the Company's progress toward objectives outlined in its Purposes and Principles can be recognized by any management employee. Through the workings of the Plan, all management employees of NI-Gas and its subsidiaries are asked to acknowledge such achievements by submitting formal recommendations regarding them, and, where possible, identifying the person, or persons, responsible.

All recommended achievements will be researched and evaluated to determine the relative value of each to the Company. Those ultimately selected by the Board of Directors will be awarded Incentive Compensation Units, thereby providing significant monetary compensation to the recipients.

METHOD OF RECOMMENDING EMPLOYEES FOR AWARD

Who May Make a Recommendation

All management employees of NI-Gas and its subsidiaries, at any level of responsibility, may recommend an extraordinary or significant achievement for an award.

What Should Be Recommended

An extraordinary or significant achievement is defined, in general terms, as one that contributes to progress and success in meeting one or more of the responsibilities recognized by the Company in its Purposes and Principles. It may have impact in any area or function of Company operation.

The achievement may be in the form of ideas, inventions or technological improvements; increased sales, production, profits or efficiency; reduced operating expenses; improved employee attitude; improved community or customer relations. A significant achievement may also be an extraordinary effort on the part of an individual which has significant impact on the Company's success in the current year.

When a Recommendation Should Be Submitted

A recommendation may be made at any time. It is best made as early as possible after the contribution has been recognized, in order to facilitate documentation while memories are fresh and clear.

How a Recommendation Should Be Submitted

Each recommendation must be made on the "Award Recommendation" form available from the local Personnel Department.

It should emphasize the accomplishment in sufficient detail so that the significance of the achievement and its impact on the Company can be determined. Once the achievement has been described, it is desirable to identify the person, or persons, primarily responsible for it.

FLOW OF RECOMMENDATIONS - DECISION PROCESS*

All recommendations submitted shall be sent to the Incentive Compensation Plan Coordinator. He will route those recommendations concerning Senior Officers' achievements to each Executive Vice President--the Executive Officer Committee. Recommendations regarding achievements by all other employees shall be sent to the Chairman of the Incentive Compensation Committee.

The Incentive Compensation Committee shall be a group of seven management employees appointed by the Chief Executive Officer from a list of names suggested by the Manpower Planning Committee. The Committee shall be responsible for researching all recommended achievements. Further, it shall recommend to the Executive Officer Committee the most worthwhile of these, including the relative size of the award to be granted in each case.

At the same time it submits recommendations to the Executive Officer Committee, the Incentive Compensation Committee shall furnish copy to the Senior Officer Committee.

The Senior Officer Committee shall supply to the Executive Officer Committee any information it deems appropriate.

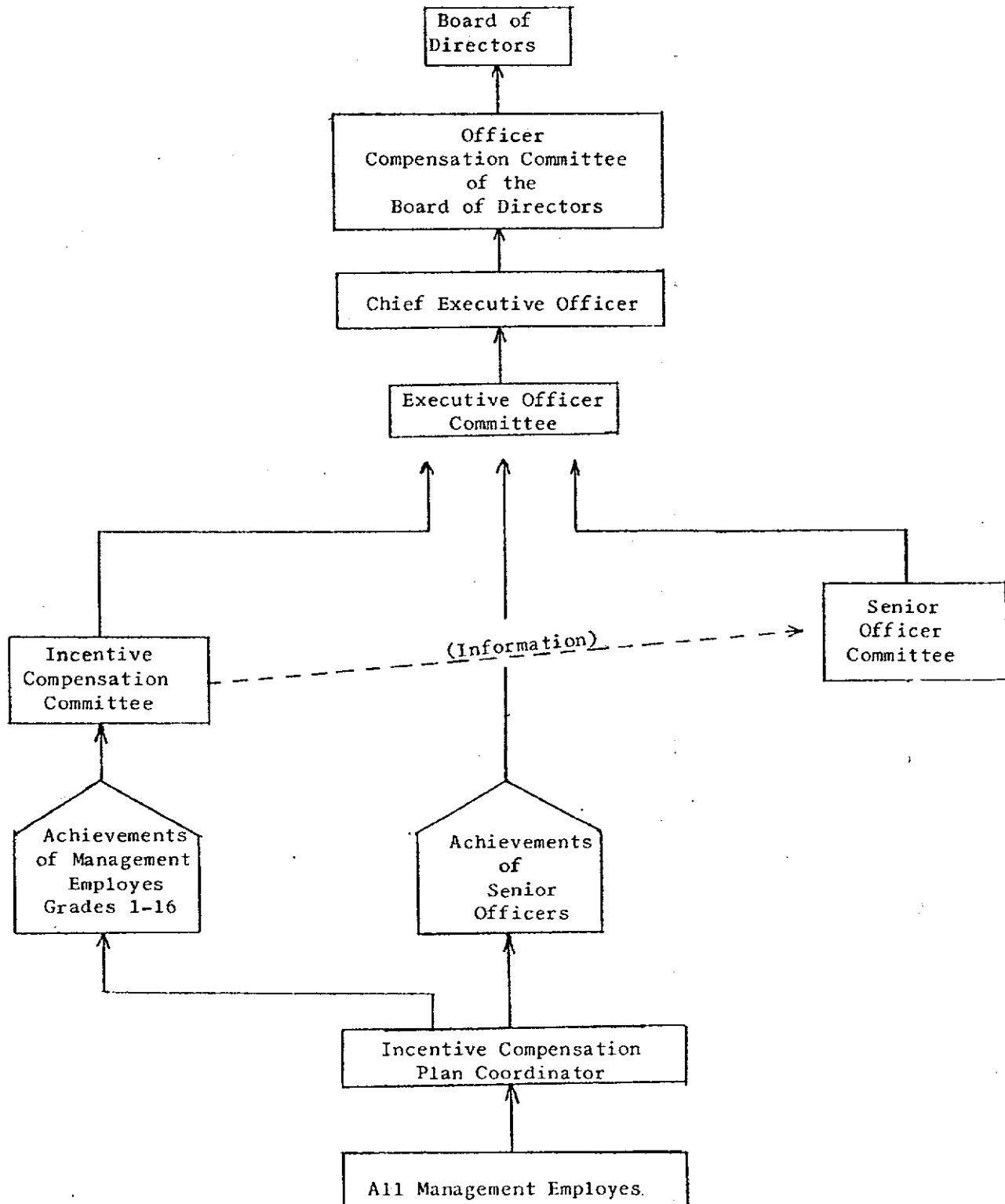
The Executive Officer Committee shall determine the value of all achievements recommended, including achievements of Senior Officers. After review it shall forward a final, composite recommendation to the Chief Executive Officer.

The Chief Executive Officer shall forward to the Officer Compensation Committee of the Board of Directors those recommendations which he approves.

The Officer Compensation Committee of the Board of Directors shall present its recommendations to the Board of Directors for final decision and authorization of awards.

The Board of Directors, as a result of its deliberations, shall communicate directly to the Chief Executive Officer its decision of awardees and size of each award.

*See Figure 1, page 4, for flow diagram.

FLOW OF RECOMMENDATIONS - DECISION PROCESSNicor Gas Ex. 41.1
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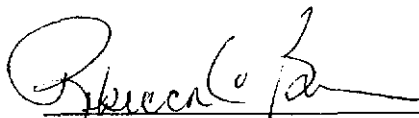
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AFFIDAVIT

I, Rebecca C. Bacidore, under oath, hereby swear to the following:

1. I am the Assistant Vice President of Human Resources for Nicor Gas Company;
2. I prepared prefiled Surrebuttal Testimony on behalf of Northern Illinois Gas Company, d/b/a Nicor Gas Company, submitted as Nicor Gas Ex. 41.0, including Exhibit 41.1, and filed on November 5, 2008;
3. An Errata to my Surrebuttal Testimony was filed on November 12, 2008 to provide for corrections discovered after November 5, 2008;
4. I have personal knowledge of all the facts in my Surrebuttal Testimony, and the answers set forth in my Surrebuttal Testimony are to the best of my knowledge, true and correct; and
5. If asked those same questions today, my answers would be the same.


Rebecca C. Bacidore

Subscribed and sworn to before me
this 12 day of November, 2008.


Notary Public

